

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Delta Township District Library	County Eaton
Fiscal Year End 12/31/06	Opinion Date 3/29/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Maner, Costerisan & Ellis, P.C.		Telephone Number 517-323-7500	
Street Address 544 Cherbourg Drive, Suite 200		City Lansing	State MI
		Zip 48917	
Authorizing CPA Signature 		Printed Name Lamonte T. Lator	License Number 8801

DELTA TOWNSHIP DISTRICT LIBRARY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2006

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Delta Township District Library
State of Michigan

April 19, 2007

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delta Township District Library, Component unit of the Charter Township of Delta, State of Michigan as of and for the year ended December 31, 2006 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Delta Township District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Delta Township District Library, State of Michigan as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Delta Township District Library
State of Michigan

April 19, 2007

The management's discussion and analysis and budgetary comparison information on pages v through xiii and page 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta Township District Library's basic financial statements. The financial statements and other additional information presented on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Maner, Coetzee & Ellis, P.C.".

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Delta Township District Library (the Library), we offer readers of the Delta Township District Library's financial statements this narrative overview and analysis of the financial activities of the Delta Township District Library for the fiscal year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$536,430 (net assets). Of this amount, \$149,345 (unrestricted net assets) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$162,257 dollars.
- As of the close of the current fiscal year, the Library's governmental fund reported ending fund balance of \$220,121, an increase of \$70,788 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$140,400, or 22 percent of total general fund expenditures.
- The Library's total long-term debt, which is comprised of compensated absences, increased \$5,409.
- The residents of Library approved a millage levy of \$1.00 per \$1,000 for the operation of the new library during 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 13. Additional information can be found on pages 14 and 15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$536,430 at the close of the most recent fiscal year.

By far the largest portion of the Library's net assets (25 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Delta Township District Library's Net Assets

	Governmental activites	
	2006	2005
Current and other assets	\$ 1,674,616	\$ 173,082
Capital assets	223,903	240,324
Total assets	1,898,519	413,406
Other liabilities	1,354,524	33,181
Long-term liabilities outstanding	7,565	6,052
Total liabilities	1,362,089	39,233
Net assets:		
Invested in capital assets, net of related debt	223,903	240,324
Restricted from capital campaign	163,182	
Unrestricted	149,345	133,849
Total net assets	\$ 536,430	\$ 374,173

The unrestricted net assets (\$149,345) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net assets for its governmental activities.

The Library's net assets increased by \$162,257 during the current fiscal year. The majority of this increase is due to the capital campaign fundraising, as well as the degree in which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

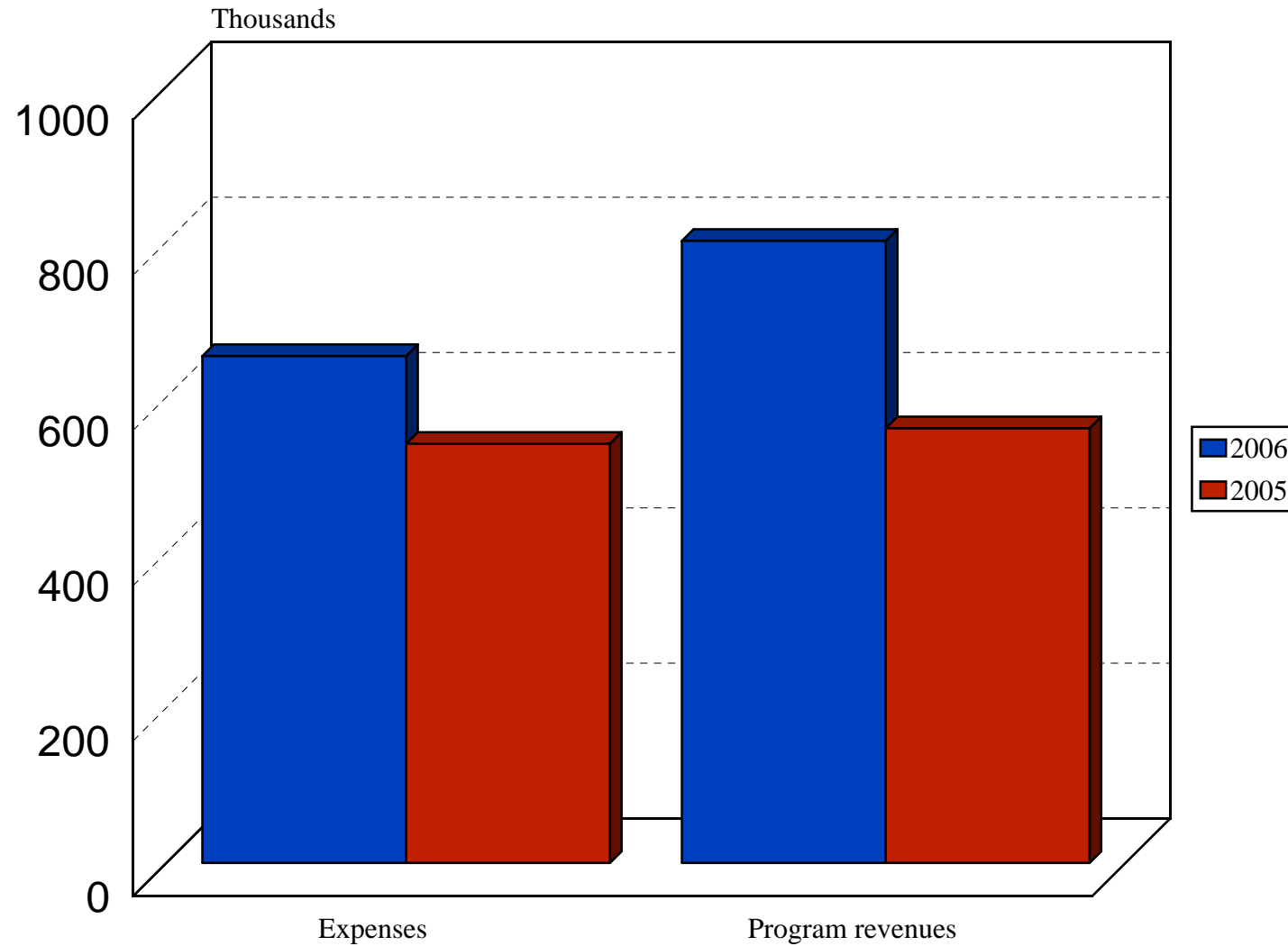
Governmental activities. Governmental activities increased the Library's net assets by \$162,257, thereby the governmental activities accounted for 100% of the total increase in the net assets of the Library. Key elements of this increase are as follows:

Delta Township District Library's Changes in Net Assets

	Governmental activities	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 26,327	\$ 25,145
State Aid	26,710	26,138
Penal fines	141,311	127,088
Public contributions	246,981	21,703
Contributions from the Charter Township of Delta	360,000	347,920
General revenues:		
Investment earnings	7,331	3,803
Other	6,640	3,335
Total revenues	<u>815,300</u>	<u>555,132</u>
Expenses:		
Culture and recreation	<u>653,043</u>	<u>530,215</u>
Increase in net assets	162,257	24,917
Net assets, January 1, 2006	<u>374,173</u>	<u>349,256</u>
Net assets, December 31, 2006	<u>\$ 536,430</u>	<u>\$ 374,173</u>

- Program revenues increased by \$253,335 (46 percent) during the year. Most of this increase is due to additional funding from the Township, increased penal fines received, as well as the capital campaign fundraising.
- Overall government activities revenue is up \$260,168 from prior year. Most of the increase is due to increased program revenues as previously described. A significant portion of this arises from public contributions.

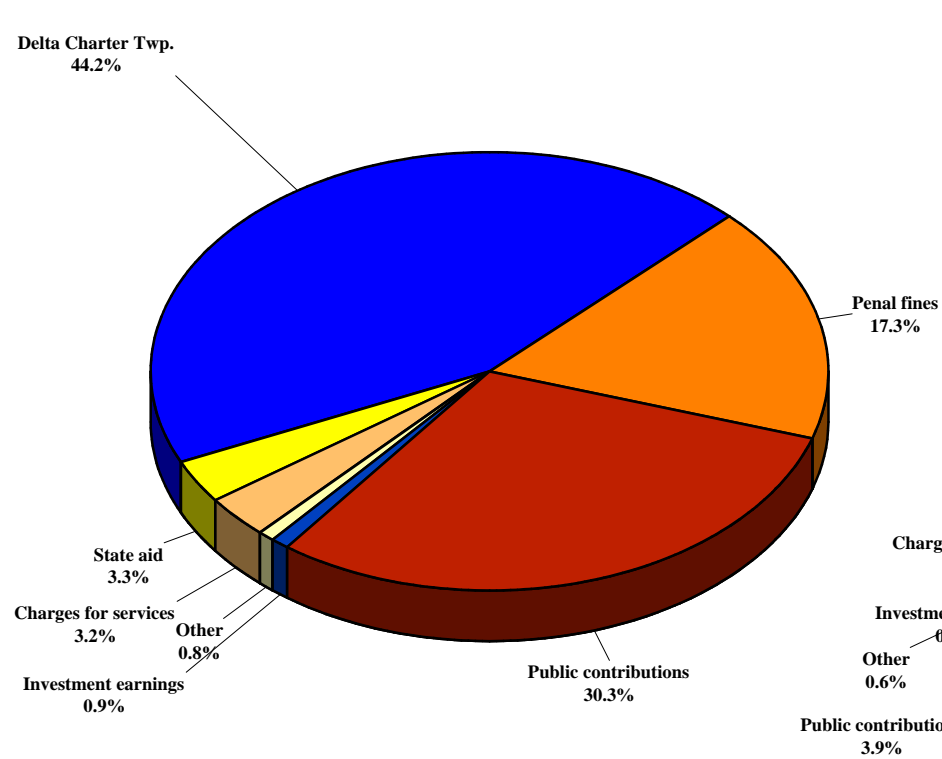
Delta Township District Library
Expenses and Program Revenues - Governmental Activities
December 31,



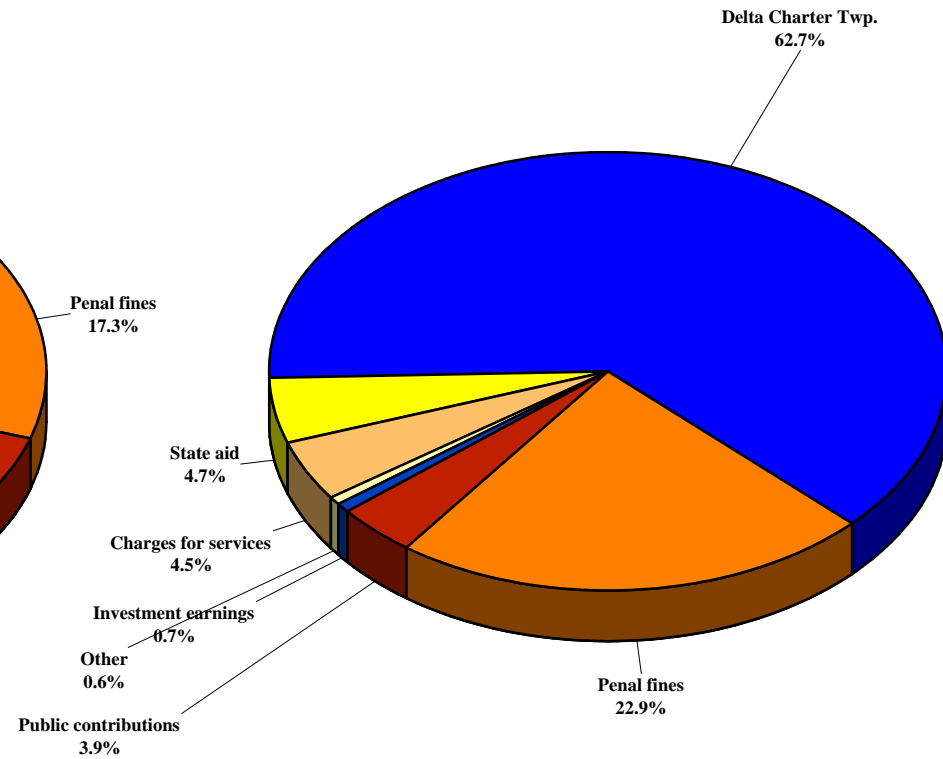
Delta Township District Library

Revenues by Source - Governmental Activities

December 31



2006



2005

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported combined ending fund balance of \$220,121, an increase of \$70,788 in comparison with the prior year. Approximately 64% of this total amount (\$140,400) constitutes *unrestricted fund balance*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, reserved, or designated to indicate that it is not available for new spending because it has already been committed to 1) capital campaign (\$49,883), 2) prepaid contracted services (\$8,945), or 3) for compensated absences (\$20,893).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$140,400, while total fund balance reached \$220,121. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of the Library's general fund increased by \$70,788 during fiscal year 2006. Key factors in this increase are as follows:

- Increased contributions for the Library project.
- Increased contributions from the Charter Township of Delta.
- Increased penal fines

General Fund Budgetary Highlights

- The budget increased approximately \$91,200 from the original budget to the final amended budget. The main increase is due to cost incurred for fundraising.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of December 31, 2006, amounts to \$223,903 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and office equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was less than 1 percent.

Major capital asset events during the current fiscal year included the following:

- New library books
- Computers

Delta Township District Library's Capital Assets (net of depreciation)

	Governmental activities	
	2006	2005
Library books	\$ 211,060	\$ 209,221
Furniture and office equipment	12,843	15,103
Work in process		16,000
	<u>\$ 223,903</u>	<u>\$ 240,324</u>

Additional information on the Library's capital assets can be found in Note 4 on page 9 of this report.

Long-term debt. At the end of the current fiscal year, the Library had total long-term debt outstanding of \$20,893. This represents compensated absences earned but not used as of year end.

Delta Township District Library's Outstanding Debt

	Governmental activities	
	2006	2005
Compensated absences	<u>\$ 20,893</u>	<u>\$ 15,484</u>

The Library's total debt increased by \$5,409 (35 percent) during the current fiscal year.

Additional information on the Library's long-term debt can be found in Note 5 on page 10 of this report.

Economic Factors and Next Year's Budgets and Rates

Delta Township District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2007 that will promote several of the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the Delta Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Manager's Office, 7710 West Saginaw Highway, Lansing, MI 48917-9712.

BASIC FINANCIAL STATEMENTS

DELTA TOWNSHIP DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 74,873	\$	\$ 74,873
Investments	475,248		475,248
Receivables:			
Accounts	113,332		113,332
Taxes	798,539		798,539
Interest	3,431		3,431
Due from other governmental units	150,365		150,365
Prepaid expenses	8,945		8,945
Restricted cash - capital campaign	49,883		49,883
TOTAL CURRENT ASSETS	1,674,616		1,674,616
CAPITAL ASSETS , net of accumulated depreciation		223,903 ⁽¹⁾	223,903
TOTAL ASSETS	<u>\$ 1,674,616</u>	<u>223,903</u>	<u>1,898,519</u>
CURRENT LIABILITIES:			
Accounts payable	\$ 13,934		13,934
Deferred revenue - taxes and contributions	1,440,561	(113,299) ⁽³⁾	1,327,262
Current portion of compensated absences		13,328 ⁽²⁾	13,328
TOTAL CURRENT LIABILITIES	1,454,495	(99,971)	1,354,524
NONCURRENT LIABILITIES:			
Compensated absences, less current portion		7,565 ⁽²⁾	7,565
TOTAL LIABILITIES	1,454,495	(92,406)	1,362,089
FUND BALANCE/NET ASSETS:			
Invested in capital assets net of related debt		223,903	223,903
Restricted from capital campaign	49,883	113,299	163,182
Reserved for prepaid expenditures	8,945	(8,945)	
Designated for compensated absences	20,893	(20,893)	
Unrestricted	140,400	8,945	149,345
TOTAL FUND BALANCE/NET ASSETS	220,121	<u>\$ 316,309</u>	<u>\$ 536,430</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,674,616</u>		

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾ Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

⁽³⁾ Contributions not collected within 60 days from year-end are not available to pay for current period expenditures, and therefore are deferred under the modified accrual basis of accounting and recognized under the full accrual method.

DELTA TOWNSHIP DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
State aid	\$ 26,710	\$	\$ 26,710
Penal fines	141,311		141,311
Charges for services	26,327		26,327
Investment income - net	7,331		7,331
Public contributions	133,682	113,299 ⁽³⁾	246,981
Contributions from the Charter Township of Delta	360,000		360,000
Other	6,640		6,640
Total revenues	702,001	113,299	815,300
EXPENDITURES:			
Current:			
Culture and recreation:			
Salaries and employee benefits	363,059	5,409 ⁽¹⁾	368,468
Books and supplies	131,159	(95,025) ⁽²⁾	36,134
Contractual services	24,927		24,927
Telephone and utilities	18,127		18,127
Printing	1,646		1,646
Education and training	7,937		7,937
Membership dues	3,967		3,967
Depreciation		106,297 ⁽²⁾	106,297
Capital outlay	10,851	(10,851) ⁽²⁾	
Capital campaign expense	61,198	16,000	77,198
Miscellaneous	8,342		8,342
Total expenditures	631,213	21,830	653,043
Net change in fund balance/net assets	70,788	91,469	162,257
FUND BALANCE/NET ASSETS, beginning of year	149,333	224,840	374,173
FUND BALANCE/NET ASSETS, end of year	<u>\$ 220,121</u>	<u>\$ 316,309</u>	<u>\$ 536,430</u>

⁽¹⁾ Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

⁽²⁾ Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

⁽³⁾ Governmental funds report revenue as being available within a reasonable amount of time after the year end, typically 60 days. In the statement of activities these revenues are recognized as revenue when they are measurable.

DELTA TOWNSHIP DISTRICT LIBRARY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Delta and the Waverly Community Schools entered into a District Library agreement March 9, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Library Board determined the library shall be known as the Delta Township District Library. The District Library serves the residents of the Charter Township of Delta and the residents served by the Waverly Community Schools. A six-member board serves the District Library, four appointed by the Charter Township of Delta and two by the Waverly Community Schools.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library is also reported as a blended component unit special revenue fund of the Charter Township of Delta. The Library has no component unit.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets or Equity (Concluded)

The Library's retirement system investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes Delta Township's District Library retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Library books	5
Furniture and equipment	5

4. Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

5. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

The Library, which is included in the Township process, follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2006 the Library had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
U.S. Treasury Notes	\$ 43,700	4.0106	AAA	12.9%
Commercial Paper	50,896	0.1169	A2	15.0%
Commercial Paper	106,660	0.1721	A1+	31.5%
U.S. Agency Loans	71,755	4.9581	AAA	21.2%
Mortgage Backed Securities:				
U.S. Agency	15,290	17.8029	AAA	4.5%
Corporate	14,464	4.5442	AA+	4.3%
Other	4,915	20.3014	Not rated	1.4%
MBIA External Investment Pool - CLASS	31,432	0.0027	Not rated	7.2%
Total fair value	<u>\$ 339,112</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>2.9287</u>		

1 day maturity equals 0.0027, one year equals 1.00

The Library voluntarily invests excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the Library is MBIA. MBIA is an external pooled investment fund of "qualified" investments for Michigan townships. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of December 31, 2006, the fair value of the Library's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2006, \$160,892 of the Library's bank balance of \$260,892 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and money market accounts are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 260,892
Investments	<u>339,112</u>
	<u><u>\$ 600,004</u></u>

The above amounts are reported in the financial statements as follows:

Cash	\$ 74,873
Restricted cash - capital campaign	49,883
Investments	<u>475,248</u>
	<u><u>\$ 600,004</u></u>

DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended December 31 was as follows:

	Balance December 31, 2005	Additions	Deletions	Balance December 31, 2006
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Work in process	\$ 16,000	\$	\$ (16,000)	\$ -
Governmental activities:				
Capital assets being depreciated:				
Library books	660,936	99,342		760,278
Furniture and office equipment	60,405	6,534		66,939
Total capital assets, being depreciated	721,341	105,876		827,217
Less accumulated depreciation for:				
Library books	451,715	97,503		549,218
Furniture and and office equipment	45,302	8,794		54,096
Total accumulated depreciation	497,017	106,297		603,314
Total capital assets, being depreciated, net	224,324	(421)		223,903
Total	<u>\$ 240,324</u>	<u>\$ (421)</u>	<u>\$ (16,000)</u>	<u>\$ 223,903</u>

Depreciation expense of \$106,297 was all charged to the culture and recreation function.

Governmental activities:	
Culture and recreation	<u>\$ 106,297</u>

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 15,484	\$ 5,409	\$	\$ 20,893	\$ 13,328

NOTE 6 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Library bills and collects its own property taxes. Library tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The residents of the Township library have approved a \$1.00 per \$1,000 millage specifically for the operation of the library. The Township levied \$1.0000 per \$1,000 for the library for 2007 operations.

NOTE 7 - PENSION PLANS

Money Purchase Retirement Plan

The District Library employees, who are employees of the Township, participate in the Charter Township of Delta Money Purchase Retirement Plan. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus results of investments transactions. The plan assets are invested by ICMA Retirement Corporation who is the trustee of the plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Library contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Library made the required contributions of \$18,951. No significant employee contributions were made. Plan provisions and contribution requirements are established and may be amended by the Township.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (Concluded)

Deferred Compensation Plan

The Library employees are employees of the Charter Township of Delta and they participate in the Township's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to substantially all Library employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plan described in Note 7, the Library through the Township, provides post employment health care benefits to all employees who retire from the Library with a minimum ten years of service based on the schedule of shared participation rates. The Library's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. There were no expenses incurred by the Library for the year ending December 31, 2006.

NOTE 9 - RELATED PARTY TRANSACTION

The Charter Township of Delta has representatives on the board of the Library. The Township contributed approximately 51% of the Library's operating funds. The contributed funds are used to support the day-to-day operations of the Library. During the fiscal year ending December 31, 2006, the Library received approximately \$360,000 from the Township. The Township owed the Library approximately \$150,000 at the end of the year related to the construction of the library.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance through the Township to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2006 or any of the prior three years.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - LIBRARY EXPANSION

During 2006, the District's residents approved a library operating millage. Delta Township is currently planning to construct and finance a new library. This will be funded by a long-term lease with the Library.

NOTE 12 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006**

	Original budget	Final budget	Actual	Variance positive (negative)
REVENUES:				
Local sources:				
Penal fines	\$ 125,000	\$ 134,000	\$ 141,311	\$ 7,311
Charges for services	23,600	23,600	26,327	2,727
Investment income - net	1,600	1,600	7,331	5,731
Public contributions	3,000	85,200	133,682	48,482
Contributions from the Charter Township of Delta	360,000	360,000	360,000	
Other	2,500	2,500	6,640	4,140
Total local sources	515,700	606,900	675,291	68,391
State sources	26,000	26,000	26,710	710
Total revenues	541,700	632,900	702,001	69,101
EXPENDITURES:				
Current:				
Culture and recreation	541,700	632,900	631,213	1,687
NET CHANGE IN FUND BALANCE	\$	\$	70,788	\$ 70,788
FUND BALANCE:				
Beginning of year			149,333	
End of year			\$ 220,121	

ADDITIONAL INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
ASSETS:		
Cash	\$ 74,873	\$ 19,651
Investments	475,248	144,360
Receivables:		
Accounts	113,332	
Taxes	798,539	
Interest	3,431	1,071
Due from other governmental units	150,365	
Prepaid expense	8,945	8,000
Restricted cash - capital campaign	49,883	
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 1,674,616</u></u>	<u><u>\$ 173,082</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 13,934	\$ 13,103
Accrued payroll, taxes and withholding		736
Due to other governmental units		9,910
Deferred revenue - taxes and contributions	1,440,561	
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>1,454,495</u>	<u>23,749</u>
FUND BALANCE:		
Restricted from capital campaign	49,883	
Reserved for prepaid expenses	8,945	8,000
Designated for compensated absences	20,893	15,484
Unrestricted	140,400	125,849
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>220,121</u>	<u>149,333</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,674,616</u></u>	<u><u>\$ 173,082</u></u>

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
REVENUES:		
State aid	\$ 26,710	\$ 26,138
Penal fines	141,311	127,088
Charges for services	26,327	25,145
Investment income - net	7,331	3,803
Public contributions	133,682	21,703
Contributions from the Charter Township of Delta	360,000	347,920
Other	<u>6,640</u>	<u>3,335</u>
Total revenues	<u>702,001</u>	<u>555,132</u>
EXPENDITURES:		
Current:		
Culture and recreation:		
Salaries and employee benefits	363,059	335,287
Books and supplies	131,159	127,356
Contractual services	24,927	19,225
Telephone and utilities	18,127	21,256
Printing	1,646	1,148
Repairs and maintenance		6,028
Education and training	7,937	8,279
Membership dues	3,967	11,921
Capital outlay	10,851	6,330
Capital campaign expense	61,198	16,000
Miscellaneous	<u>8,342</u>	<u>9,362</u>
Total expenditures	<u>631,213</u>	<u>562,192</u>
Net change in fund balance	70,788	(7,060)
FUND BALANCE, beginning of year	<u>149,333</u>	<u>156,393</u>
FUND BALANCE, end of year	<u><u>\$ 220,121</u></u>	<u><u>\$ 149,333</u></u>



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

April 19, 2007

To the Library Board
Delta Township District Library
Lansing, Michigan

We have audited the financial statements of Delta Township District Library for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 26, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Delta Township District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Delta Township District Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Delta Township District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Delta Township District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is the estimated liability for compensated absences and allowance for uncollectible contributions.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Delta Township District Library's financial reporting process that is, cause future financial statements to be materially misstated. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Delta Township District Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Delta Township District Library's financial reporting process. GASB 34 entries are included in the financial statements.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Delta Township District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, and management of Delta Township District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costerian & Ellis, P.C.